

## Message Text

UNCLASSIFIED

PAGE 01 TOKYO 02978 030940Z  
ACTION EA-09

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-08 NSC-05 SS-15  
STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-01 INR-07  
NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01 L-03 H-02 PA-02  
PRS-01 /097 W  
-----031653 130183 /43

R 030848Z MAR 77  
FM AMEMBASSY TOKYO  
TO SECSTATE WASHDC 5850  
TREASURY DEPT WASHDC

UNCLAS TOKYO 2978

PASS FRB AND CEA

E.O. 11652: N/A  
TAGS: EFIN, JA  
SUBJECT: BANK OF JAPAN DISCOUNT RATE

1. SUMMARY: BOJ GOV MORINAGA AND PM FUKUDA SOUND POSITIVE  
ABOUT POSSIBILITY OF OFFICIAL DISCOUNT RATE CUT. END SUMMARY.  
  
2. IN HIS REGULARLY SCHEDULED PRESS CONFERENCE WED, MAR 2,  
BANK OF JAPAN GOV MORINAGA SIGNALLED HIS INTENTION TO CONSULT  
WITH PM FUKUDA ABOUT A POSSIBLE DISCOUNT RATE CUT BEFORE THE  
LATTER'S MEETING WITH PRESIDENT CARTER. SOME PRESS HAVE  
CONCLUDED FROM MORINAGA'S STATEMENTS THAT RATE CUT IS TO  
BE EXPECTED BEFORE THE PM'S DEPARTURE, EVEN GOING SO FAR AS  
TO PUT CUT AT 0.5 PERCENT (TO 6 PERCENT).

2. TRANSCRIPT OF MORINAGA PRESS CONFERENCE NOT AVAILABLE,  
BUT MORINAGA REPORTEDLY REITERATED HIS EARLIER STATEMENTS  
SHOWING FLEXIBILITY ABOUT SIMULTANEOUS CUT IN POLITICALLY  
SENSITIVE RATES ON POSTAL AND OTHER SAVINGS DEPOSITS, ALTHOUGH  
HE IMPLIED HE WOULD ALSO BE DISCUSSING THIS MATTER WITH  
PM. HE ALSO HEDGED HIS POSITION BY INDICATING THAT WHAT  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 TOKYO 02978 030940Z

COMES OUT OF BUDGET COMMITTEE DELIBERATIONS ON THE FY 77  
BUDGET MARCH 7-8, AS WELL AS OTHER ECONOMIC DEVELOPMENTS,  
WOULD BEAR ON DISCOUNT RATE DECISION. MORINAGA DID NOT  
REPEAT NOT INDICATE PROSPECTIVE MAGNITUDE OF ANY CHANGE.  
EARLIER PRESS REPORTS THAT BOJ FELT THAT IF MOVE WAS MADE  
IT SHOULD BE (AT LEAST) 0.5 PERCENT (TO BE EFFECTIVE)  
MAY HAVE BEEN BASIS FOR CURRENT PRESS CONCLUSION ON

MAGNITUDE OF CUT.

3. ON SAME SUBJECT, TRANSCRIPT HAS NOW BECOME AVAILABLE OF NHK TV INTERVIEW OF PM FUKUDA ON FEB 25. IN RESPONSE TO SUGGESTION THAT OFFICIAL DISCOUNT RATE CUT IS NECESSARY FOR DOMESTIC REASONS, PM SAID THAT NOT ONLY DOMESTIC ECONOMIC CONDITIONS BUT ALSO INTL ASPECTS SHOULD BE CONSIDERED WHEN CONSIDERING OFFICIAL DISCOUNT RATE CUT PROBLEMS. HE OBSERVED THAT FOREIGNERS' PURCHASES OF JAPANESE SECURITIES (ALTHOUGH NOT EXTREMELY HEAVY AT PRESENT) HAVE CONTRIBUTED TO INCREASES IN JAPAN'S FOREIGN EXCHANGE RESERVES EXCEEDING SURPLUSES IN FOREIGN TRADE RELATED TRANSACTIONS. HE OPINED IT WAS NOT A HEALTHY SITUATION FOR U.S. DOLLARS TO BE PILING UP IN JAPAN IN THIS MANNER. NOTING THAT OFFICIAL DISCOUNT RATES IN THE U.S. AND W. GERMANY (WHICH ARE ALONG WITH JAPAN DESCRIBED AS LOCOMOTIVES TO LEAD RECOVERY OF THE WORLD ECONOMY) ARE LOWER THAN THE DISCOUNT RATE IN JAPAN, HE WONDERED WHY INTEREST RATES IN JAPAN HAD NOT MOVED IN PARALLEL WITH THOSE IN THE U.S. OR W. GERMANY.

SHOESMITH

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BANKS, INTEREST RATES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 03-Mar-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01-Jan-1960 12:00:00 am  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977TOKYO02978  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770073-0832  
**Format:** TEL  
**From:** TOKYO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770394/aaaadfvh.tel  
**Line Count:** 82  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** c4f537be-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EA  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 21-Sep-2004 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3213692  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** BANK OF JAPAN DISCOUNT RATE  
**TAGS:** EFIN, JA  
**To:** STATE TRSY  
**Type:** TE  
**vdkvgwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/c4f537be-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009